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SUBJECT: BERLIN: INTERNATIONAL CONFERENCE ON NUCLEAR FUEL  
SUPPLY - A THREE PILLAR CIRCUS

#### SUMMARY

1. (SBU) Originally intended as a venue for formally rolling out German Foreign Minister Steinmeier's proposal to establish a new IAEA-run uranium enrichment facility, the scaled-back "International Conference on Nuclear Fuel Supply: Challenges and Opportunities," hosted by Germany, the Netherlands, and the UK in Berlin April 17-18, was instead billed as a forum for consideration of "proliferation-proof" solutions to the demands of countries interested in developing small and medium scale nuclear energy programs. Notwithstanding the change in focus, IAEA Director General ElBaradei and Steinmeier both pushed the German proposal in their opening statements. Apart from the Russian Fuel Bank proposal, however, most participants did not discuss in detail the various reliable accesses to nuclear fuel (RANF) proposals currently under consideration by IAEA members.

2. (SBU) Both keynote speakers also injected disarmament into the mix with ElBaradei quoting German President Koehler as saying the best way to build trust is by focusing on disarmament, arms control, and non-proliferation. South Africa's Abdul Minty subsequently raised the issue of "trust," referring to disarmament and to the potential "cartelization" of nuclear fuel services as the underlying motive of the RANF proposals. Representatives of other potential nuclear power states picked up on this theme, repeating concerns about trust with regard both to nuclear weapons states and fuel service providers. Panelists spoke on behalf of countries that rely on outside sources for enriched uranium, countries that produce enriched uranium for sale on the world market, and commercial providers of enriched uranium. END SUMMARY.

#### OPENING STATEMENTS BY STEINMEIER AND ELBARADEI

3. (SBU) The conference opened with statements from German Federal Foreign Minister Frank-Walter Steinmeier and IAEA Director General Mohamed ElBaradei. Both acknowledged the world's growing energy needs, particularly in developing countries, and the increasing role nuclear energy will play. Steinmeier focused on the need to respect the rights of countries to pursue the peaceful use of nuclear energy and emphasized the responsibility of NNWS to support non-proliferation. ElBaradei made statements focusing on the disarmament of nuclear weapons states (NWS), singling out the U.S. and Russia as sending "the wrong message" to the rest of the world on disarmament. ElBaradei outlined a three-stage vision aimed at successful nuclear fuel cooperation between supplier and consumer states; first, set up a system to assure reliable access to nuclear fuel supply, second, place all new enrichment and reprocessing facilities under multilateral control -- the core concept behind Steinmeier's Multilateral Enrichment Sanctuary Project (MESPP) proposal --- and finally place ALL existing and future ENR facilities under multilateral control consistent with the Fissile Materials Cut-Off Treaty. ElBaradei ended by emphasizing the importance of building "trust" between supplier and consumer states, which underscores his position as a mediator in the middle of this debate. Both Steinmeier and ElBaradei briefly mentioned -- but did not stress -- that all NPT signatories should be held accountable for violations and failure to meet non-proliferation commitments.

#### VIEWS FROM NUCLEAR POWER COUNTRIES NOT PURSUING ENRICHMENT

4. (SBU) Representatives from Finland, the Ukraine, and Korea gave presentations detailing their approaches to meeting their respective nuclear fuel demands. Mr. Jae Min Ahn, Manager of the Korea Hydro Nuclear Corporation, said the ROK generates 35.5 percent of its electricity from nuclear power and yet is 100 percent dependent on foreign nuclear fuel supply. He said the ROK approaches its fuel supply needs with a focus on stable security, long-term fuel contracts, advanced procurement, overseas investment, and diversification -- an approach that has yielded successful results. This approach was echoed by representatives from the Ukraine and Finland, who voiced similar satisfaction that

the nuclear fuel market has successfully satisfied their needs.

#### THE NUCLEAR FUEL SUPPLY MARKET IS IN GOOD SHAPE

15. (SBU) Robert Vance, Energy Analyst with Canada's Nuclear Energy Agency, gave testimony pertaining to the healthy state of the nuclear fuel supply market and its excellent future prospects. Vance stated uranium is very plentiful and that current rates of consumption would yield a 100-year supply (potentially thousands with next-generation reactors).

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#### SOUTH AFRICA: RESUMPTION OF FUEL PROCESSING

16. (SBU) Ambassador Abdul Minty, South African MFA Deputy Director General for Nonproliferation made strong statements advocating the unobstructed right for countries to pursue nuclear energy and access to advanced nuclear fuel technologies. Minty specifically took exception to the technology-restrictive pre-conditions weaved into earlier nuclear fuel assurance proposals stating "Any proposal must protect a state's right for all aspects of peaceful nuclear power." Minty cited the last Non-Aligned Movement (NAM) Summit in Cuba and said NAM nations agreed to ensure the sovereignty/management of their own resources and agreed there should be no restrictions on processing rights.

17. (SBU) Minty stated there is a "lack of trust" among the NAM that supplier states would not hold nuclear fuel as collateral to impose political agendas on consumer states. This is the overwhelming factor in South Africa's reservations about nuclear fuel assurance proposals. Specifically, Minty stated it is not enough to have fuel assurances and he "doubts" the ability of the IAEA, as a proposed central authority in nuclear fuel distribution, to withstand political pressure in its decision making.

18. (SBU) Minty announced South Africa is significantly increasing its investment in nuclear energy and is seeking reprocessing and enrichment capabilities. His stated reasons were an effort to become nuclear fuel independent citing concerns about the possibility of a future nuclear fuel supply cartel. Minty added, in the future South Africa will restrict uranium exports in order to maintain a strategic fuel supply.

#### NEW PLAYERS PLANNING NUCLEAR POWER PROGRAMS

19. (SBU) Egypt and Turkey gave presentations highlighting their plans for nuclear power programs. In addition, Albania, Morocco, and Indonesia made brief comments announcing their intentions to start nuclear power programs as well. Mr. Aly Serry, Head of the Department for Disarmament Affairs - Egypt, said Egypt's nuclear power program is progressing in compliance with the IAEA and Egypt is carefully reviewing the various fuel assurances proposals.

Serry remarked the proposals are all very supplier-centric and he views these proposals as a way for NWS to regulate NNWS. Serry added he has a serious problem with NPT article IV in connection with the proposals and interprets article IV as giving states access to all peaceful nuclear technology - something he feels is being restricted in the proposals.

110. (SBU) Mr. Ali Tanrikut, the Vice President of the Turkish Atomic Energy Commission, said Turkey is pursuing a public-private-partnership (PPP) in its nuclear power program. Tanrikut added, under PPP Turkey will encourage the private sector to pursue nuclear fuel fabrication in Turkey with an aim to decrease dependence on foreign fuel.

#### PURSUING ENRICHMENT FOR A SMALL MARKET: DOES NOT MAKE SENSE

111. (SBU) Several representatives from nuclear fuel producers remarked that it does not make economic sense for states to pursue fuel enrichment unless it is on a very large scale. Mr. Alexey Lebedev, the Deputy Director General, Tenex - Russia, spoke at length about the Russian International Uranium Enrichment Center (IUEC) in Angarsk as a nuclear fuel services option so that developing countries do not have to embark on "very expensive" enrichment programs. Lebedev stated, "We would like to advise against countries developing fuel processing - it is simply not economically viable." Mr. Mikkola of Finland echoed this statement and said, "It is not economical to create nuclear fuel supplies for small markets."

#### THE ANGARSK OPTION

112. (U) Lebedev summarized the basic principles of IUEC as an IAEA safeguarded, commercially operated uranium enrichment service where member states are guaranteed access to Enriched Uranium Product (EUP) based on existing market orientated principles. Lebedev described IUEC through three stages of evolution; Stage I) (current stage) establishment of the initial share distribution of the chartered IUEC capital, presently 90% Tenex (Russian state owned) and 10% Kazatomprom (Kazakhstan), Stage II) reorganization of the Russian nuclear

industry, and State III) inclusion of new member states joining the IUEC.

113. (U) In transition to Stage II, the IUEC will create a nuclear materials fuel bank adhering to a draft agreement between the IAEA and the Russian Federation and consisting of

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120 metric ton of low-enriched uranium (LUE) to assure supply, delivery price, safety, physical protection and liability of EUP to any member state of the IAEA. This fuel bank is intended to protect IAEA member states from EUP supply disruptions unrelated to technical or commercial considerations. Stage III will begin with the pending membership of Armenia in the IUEC (after the exchange of notes). After the membership with Armenia is finalized, the IUEC shares breakdown will be 51% Tenex and 10% Kazatomprom, 10% Armenia, and 29% remaining for future IUEC member states.

114. (SBU) COMMENT: Lebedev's presentation on the Russian IUEC program generated a significant amount of interest from conference participants, particularly Canada, Great Britain, Brazil, Jordan, and Egypt. IUEC is not just simply a proposal but a real program with a fair amount of momentum. This is more likely the result of countries' interest in short term access to nuclear fuel, rather than an indication of widespread support for the various multilateral fuel cycle initiatives. END COMMENT.

#### JAPANESE PROPOSAL: FOCUS ON FRONT END NFC ACTIVITIES

115. (U) Ms Tomiko ICHIKAWA, of the Japanese MFA Energy Division, provided a briefing outlining the Japanese IAEA Standby Arrangements Systems (SAS) for Nuclear Fuel Supply proposal. Billed as a compatible and complementary proposal to the existing RANF proposals, the goal of SAS is to enhance transparency and predictability of the NFC front-end market. The SAS proposal framework identifies the IAEA as a central information repository of IAEA member states' NFC activities: uranium supply, storage, conversion, enrichment, and fuel fabrication. Under SAS, IAEA member states would notify the IAEA by periodically registering their current uranium resources, reserve supply, conversion, enrichment, and fuel fabrication activities and this information would be made available to all IAEA members.

#### THOUGHTS ON SHARING NUCLEAR FUEL PROCESSING TECHNOLOGY

116. (SBU) Mr. Lebedev indicated that Russia is not opposed to sharing (some) enrichment technology and cited Kazakhstan as an example where technology sharing is taking place. Lebedev emphasized a "black box" approach to this technology sharing and stated no classified information would be shared even under IUEC. Mr. Arthur de Montalembert, the Vice President for International Affairs and Marketing, Areva - France, voiced strong opposition to sharing enrichment technology citing nuclear enrichment as a clear dual use technology.

#### BRAZIL: A FUTURE FUEL PROVIDER - NO CONFLICT GOOD VS EVIL

117. (SBU) Ambassador Antonio Guerreiro, the Brazilian permanent representative at the IAEA, made statements about how Brazil has become "energy self sufficient" despite being cut off by the U.S. in the 1970's and voiced Brazil's role as a future nuclear fuel provider. Guerreiro specifically mentioned the agreement met last February between Brazil and Argentina to create a bilateral enterprise for nuclear fuel enrichment as an "important initiative." Guerreiro emphasized Brazil's neutrality on the nuclear fuel supply debate between supplier versus consumer states stating "Brazil has no conflict between what is good and what is evil; we only see two legitimate points of view." Guerreiro stressed countries seeking nuclear energy should be dissuaded from enrichment activities for economic reasons and that nuclear fuel assurances should not request the transfer of sensitive nuclear technology.

#### A REMINDER - THIS IS ABOUT AVOIDING "FUTURE IRANS"

118. (SBU) During a panel presentation on political aspects of the fuel cycle, David Noble, UNVIE Nuclear Counselor, made a strong opening statement, "If not for the particular case of Iran, it is likely we would not be having a conference like this." Up to this point in the conference, Iran had hardly been mentioned. Ambassador Guerreiro of Brazil commented previously "regardless if Iran's nuclear ambitions are legitimately peaceful or not, these ambitions are making Iran's neighbors very nervous." Noble emphasized the suspicious nature of Iran's "peaceful" nuclear power program and Iran's failure to meet its obligations to the international community as spelled out in three UNSCRs. He said it is U.S. policy to encourage countries to consider Nuclear Power, but to discourage the spread of sensitive technologies. Noble described practical efforts to pursue this path through RANF, GNEP and the U.S./Russia initiative. After Noble's presentation, both Minty and Serry questioned the U.S. commitment to meet its NPT disarmament obligations

and accused the U.S. of continuing development of nuclear weapons. Noble emphasized the fact that the U.S. has made considerable progress reducing nuclear weapon stockpiles and pointed out that ElBaradei's assertion that all NWS are extending and modernizing<sup>8</sup> their arsenals is wrong.

#### CONFERENCE CLOSING REMARKS

¶19. (SBU) Even though Germany's RANF proposal to establish an IAEA-run enrichment facility was hardly discussed beyond ElBaradei and Steinmeier's keynote addresses, German MFA Deputy Commissioner for Arms Control and Disarmament Ruediger Luedeking reinforced the proposal in his conference summary by saying the future of fuel services runs through the IAEA. He also highlighted the recurring theme emphasizing the need to build mutual trust between NWS and NNWS. Political considerations remain the only concern for future disruption of nuclear fuel supplies. Luedeking summarized the conference offering eight points of consideration; 1) We should consider nuclear supply arrangements not in isolation, but within the strict guidelines of the NPT with a joint vision of creating a world free of nuclear weapons, 2) we should avoid created dividing lines created amongst NPT members and refrain from discriminatory tactics, 3) we should not amend or re-interpret NPT article 4, 4) there is recognition of the dual-use aspects of civilian nuclear technology, 5) the worldwide nuclear industry expansion is happening, 6) any nuclear supply initiative must be economically viable and attractive to states, 7) The IAEA is the right place to work out solutions, and 8) the path forward is dependent on future understanding and overcoming psychological barriers.

#### COMMENTS

¶20. (SBU) Although there was little discussion of the various RANF proposals, the conference was extremely useful in bringing representatives of potential nuclear power states together with industry representatives. Most of the developing country representatives were from technical agencies. For instance, Malaysia's delegation included the Deputy Director General of the Technical Services Program of the Malaysian Institute for Nuclear Technology, the Principal Assistant Director of the Malaysian Nuclear Agency, and the Director of the Energy Section of the Prime Minister's Economic Planning Unit. The technical details and practical aspects of the presentations and subsequent discussion were in stark contrast to the theoretical/legal points of ElBaradei. Russia's presentation by Lebedev was particularly useful, as were presentations by Finland, Ukraine and Korea, who all argued that it possible to develop a nuclear power program without developing indigenous fuel services.

TIMKEN JR